

highlights

a weekly digest of recently released British Columbia statistics

New Housing Price Index

- **Victoria's new housing price index was 75.8 (1992=100) in June, an increase of 4.7% since last June, and of 0.7% since May 2002.** Material and labour cost increases, as well as strong demand for new housing, are the main reasons for this increase. In contrast, Vancouver's new housing prices have not budged from their May level, keeping the index at 86.0. Compared to June of last year, the Vancouver new housing price index edged up by 2.9%. The Canadian city with the largest monthly increase was Kitchener-Waterloo (1.2%), while the Ottawa-Gatineau new housing price index was the leader in year-over-year increases (8.2%). Edmonton (7.8%), Calgary (5.4%), Montréal (5.3%) and St. John's (5.5%) also posted above average increases in prices compared to June of last year.

Source: Statistics Canada

- **Relative to the base year of the index, 1992, new housing prices have increased in most Canadian cities, with Calgary and Regina leading the trend, as reflected in index figures of 142.6 and 138.7 respectively.** The reverse has happened in Victoria and Vancouver, where new housing prices are a fraction of their levels ten years ago, when the housing market was booming.

Source: Statistics Canada

Aircraft Movements

- **Both Vancouver International (-9.0%) and Victoria International (-10.6%) airports experienced declines in traffic in June 2002 compared to June 2001, suffering the effects of the September 11 events.** Prince George (-5.8%) and Kelowna (-2.8%) saw more modest

decreases, while Abbotsford air traffic increased by 19.6% since June of 2001, due to improved air connections and rapid expansion of airport facilities. At the national level, the 43 airports with NAV CANADA air traffic control towers reported a total decline in aircraft movements of 6.3% in June 2002 compared to June 2001.

Source: Statistics Canada and Abbotsford Airport

New Motor Vehicle Sales

- **The June 2002 new motor vehicle sales in British Columbia have stabilized at their May level of 16,625 units (seasonally adjusted).** Most other provinces registered decreases in monthly motor vehicle sales in June, varying between -8.5% in Saskatchewan and -1.3% in Prince Edward Island. On the other hand, Alberta (+3.1%) and Newfoundland (+1.0%) saw their May levels rise, but not enough to sway the Canadian average (-2.0%) upward.

Source: Statistics Canada

- **In spite of the lack of a monthly advance this June, Canadian (7.6%) new motor vehicle sales have risen notably compared to last June.** British Columbia (16.5%) was the province with the highest year-over-year increase, followed by Manitoba (15.0%). British Columbia sales also advanced for the January to June period of 2002 over the same period of 2001, both in units (+16.2%) and in value (+17.0%). Sales of all types of vehicles were higher in the first half of 2002 versus the first half of 2001, but Japanese passenger cars (44.6%) and overseas commercial vehicles (37.0%) posted the largest gains. Notwithstanding the increased popularity of Japanese cars in BC, the sales volume of North American vehicles exceeds that

Did you know...

In 2001, 48% of Canadian goods exports to Japan originated in BC.

of Japanese vehicles by more than 4 times for all categories. In June of 2002, the average price of North American passenger cars was \$24,115, while Japanese cars sold for \$23,973 on average.

Source: Statistics Canada

Oil and Gas Extraction

- **Shipments of oil and gas products reached \$5 billion in BC in the year 2000, slightly more than a tenth of Alberta's shipments of \$48.9 billion.** Natural gas contributed \$3.8 million, while crude oil accounted for \$0.6 million of total shipments. Residential sales, the largest category of gas utility sales, increased marginally since 1999 to 2.17 billion cubic meters in 2000. The net cash expenditures of the conventional petroleum industry in BC have increased by 70.8% in 2000, reaching \$3.5 billion. Royalties experienced the strongest hike, from \$0.3 billion in 1999 to \$1.0 billion in 2000. Over the same period, development expenses doubled, while spending on exploration increased by 41.5% and operating expenditures rose 22.4%.

Source: Statistics Canada

Composite Index

- **The leading Canadian indicator advanced 0.2% in July, after posting monthly increases for eleven consecutive months.** The composite index combines indicators from manufacturing, retail, housing and the stock market. Manufacturing brought in most of the good news, recording a 1.9% monthly increase in new orders for durables. The housing and retail sector sent mixed messages. While housing starts saw renewed growth in central Canada, sales of existing homes dropped, causing the housing index to fall by 1.4%. In the retail sector, furniture and appliance sales edged up 0.3%, but other durable goods sales declined by 0.4%. The strongest negative influence on the composite index was the Toronto stock market, which lost close to 15% of its value in the last two months.

Source: Statistics Canada

Registered Apprenticeship Training

- **Registrations in Canadian apprenticeship programs increased almost 7% in 2000, reaching an all time high of 201,586.** British Columbia accounts for 10.5% of Canadian registrations. The most popular trades for BC apprentices were construction electrician (2,676), carpenter (2,351), automotive service technician (1,935), cook (1,260) and plumber (1,094). In Canada, the largest trade group in 2000 was metal fabricating, which also showed the greatest annual increase.
- **In spite of the increase in registrations, the number of Canadian apprentices completing programs fell slightly in 2000 and remained below the 1991 level.** British Columbia apprentices seem to be doing a better job at completing their programs than their Canadian counterparts. In 2000, BC accounts for 15.6% of total Canadian apprenticeships completed, but only 10.5% of national registrations. However, different enrollment patterns and varying completion times for different programs make this statistic hard to interpret.

Source: Statistics Canada

Restaurants, Caterers and Taverns

- **In June 2002, total receipts of restaurants, caterers, and taverns in British Columbia increased 2.7% from May, reaching \$447.9 million.** However, total receipts are lower than their June 2001 level by 1.8%. The equivalent receipts for Canada saw an increase of 2.1%.
- **Food service contractors (+9.2%) and full service restaurants (+5.4%) are responsible for the monthly increase in British Columbia receipts, while receipts of drinking places dropped by 3.5% from May to June.** On a year-over-year basis, social and mobile caterers saw the largest increase in receipts (44.4%). At the same time, drinking places experienced a fall in receipts of 22.4%.

Source: Statistics Canada

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Japan's Economic Woes Translate to Reduced Trade for BC

Just as Japan appeared to be in recovery from the recession of 1998, in 2001 the economy plunged into its worst slump since the Second World War. In fact, Japan's economy has been in a slowdown for more than a decade and the problems of recent years are a signal of a pressing need for structural reform. For the last several years, Japan has been experiencing deflation, which has seriously affected investment. Although the Bank of Japan committed itself to expand the money supply such that inflation was at least at zero, the measure has had little effect. Despite the increase in the base amount of money, Japanese banks have not expanded their money lending correspondingly.

This is a symptom of a deep-seated problem in the Japanese banking system. Japan's financial institutions continue to prop up bad investments, rather than cutting their losses and moving on. As a result, they either have no resources to pursue other opportunities, or they are too afraid to take on further risks since they are already stuck with such a large number of non-performing loans, many of which are in or near bankruptcy. Critics, including the Organisation for Economic Co-operation and Development (OECD), are urging the Japanese banks to refrain from propping up the bad loans and instead invest their resources in areas where they can be more productive, both in earning a return for themselves, as well as contributing to an economic recovery for Japan.

Recently released figures indicate that Japan's economy grew by 1.5% in the first quarter of 2002 after three consecutive months of decline. However, there appears to be a great deal of skepticism that this signals a return to prosperity for Japan as the structural problems responsible for the difficulties of the last few years still exist. Analysts suggest that the Japanese economy needs serious reforms before it can experience a return to its previous strength. This economic resurgence is not only important for Japan, but also for its trade and investment partners.

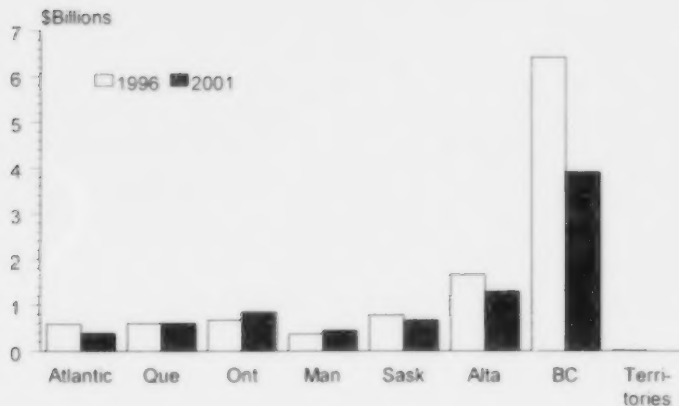
British Columbia is one trade partner that has felt the sting of the Japanese misfortune as economic problems in Japan have translated into a reduction in exports for BC. British Columbia depends more on exports to Japan than any other province in Canada. In fact, before 2001, BC was the source of over half of all Canadian commodity exports to Japan, peaking at 59% in 1994. In 2001, only 48% of Canadian goods exports originated in BC. However, British Columbia is still by far more dependent on trade with Japan than any other province.

In 2001, Japan's economy was mired in its worst downturn since World War II

Financial sector problems stemming from bad investments is one of the main factors behind the economic malaise in Japan

BC is the origin of almost half of all Canadian commodity exports to Japan

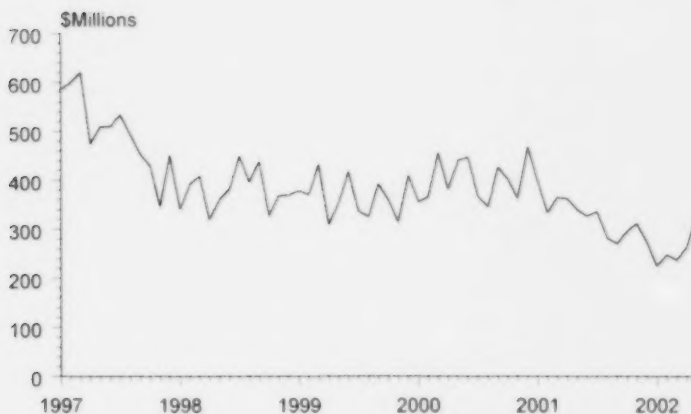
BC exports as many goods to Japan
as all the other provinces combined



Although BC's share of Canadian exports to Japan has fallen in recent years, it is still almost half the total

Japan was the destination for just under 28% of all BC origin exports in 1990, but by 2001, under 13% of BC exports were destined for Japan. Since the mid-nineties, when the structural problems inherent in the Japanese economy started to have a significant effect, exports of goods from BC to Japan have dropped considerably, such that they are now at their lowest level in over a decade.

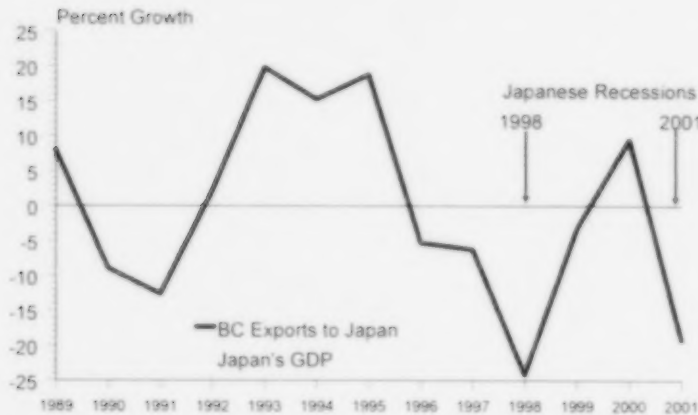
Since the beginning of the Asian economic crisis,
BC origin exports to Japan have declined dramatically



BC exports to Japan fell significantly from 1997 to 1998 before stabilising for a few years, then starting to decline again in 2001

The following chart illustrates more clearly the relationship between BC exports to Japan and the strength of the Japanese economy. When there is a slowdown in GDP growth and particularly when there is a recession, there is a significant reduction in demand for goods from BC.

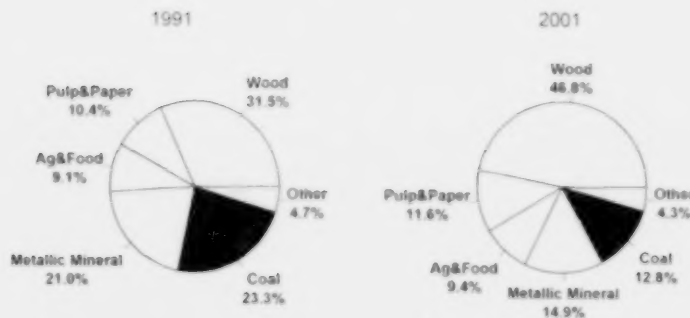
Poor economic conditions in Japan have resulted in reduced demand for BC export products



The recent recessions in Japan have resulted in a significant drop in demand for BC export products

The types of commodities that BC ships to Japan are often inputs to other industries, so that reduced demand for these products are a natural consequence of a slowdown in production resulting from economic recession. For example, Japanese steel industries have been forced to cut back production due to lower domestic demand as well as global oversupply conditions. As a result, demand for coal from British Columbia is well down from what it was ten years ago. The value of coal shipped to Japan in 2001 was about half what it was in 1991. In 1991 over 23% of BC exports to Japan were coal, but in 2001 this figure was down to less than 13%. Metallic minerals are also less in demand compared to a decade ago, but wood product exports have actually increased significantly.

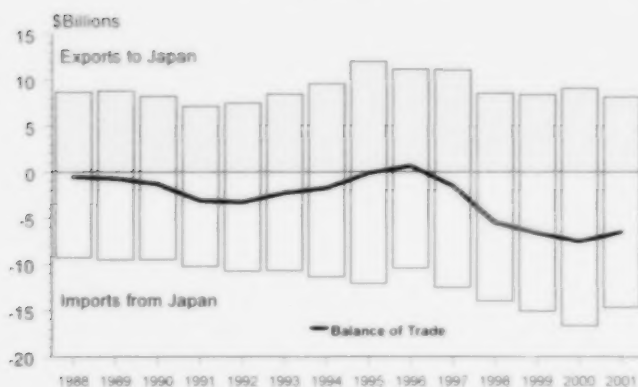
The types of commodities traded to Japan have changed over the last decade



Products from BC's mining industry have fallen out of favour in Japan, but BC wood products are still a popular import

While exports from Canada to Japan have been falling over the last few years, imports from Japan to Canada have actually risen significantly, peaking in 2000 at \$16.6 billion. With imports rising and exports falling, Canada's trade deficit with Japan has grown, peaking at \$7.5 billion in 2000, although it improved to \$6.5 billion in 2001. Until recently Canada had a trade surplus in terms of trade in services, but as of 1999, this too has shifted into a deficit as service imports from Japan jumped substantially, while exports grew at a more modest pace.

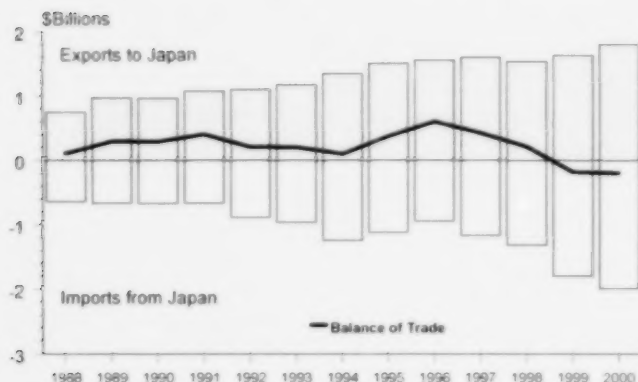
Canada generally has a trade deficit with Japan
with respect to goods...



Significant growth in imports of services from Japan has put Canada in a services trade deficit as well

shipped from Canada

...and in the last couple of years, with services also



The majority of Canada's service exports to Japan are tourism-related. The economic problems in Japan have affected the number of tourists visiting Canada as the number of travellers to both BC and Canada as a whole has dropped substantially compared to five years earlier. There were 25% fewer travellers entering BC from Japan in 2001 compared to 1996. The number of travellers from Japan enter-

ing anywhere in Canada dropped 38% over the same time period. Not surprisingly, the largest declines in tourist travel occurred in the recession years of 1998 and 2001.

Although Canada has a significant trade relationship with Japan for both goods and services, there is relatively little direct foreign investment in Japan by Canadian companies, or vice versa. Preliminary numbers for 2001 indicate that Canadian direct investment in the United Kingdom was six times that of investment in Japan. In terms of investment in Canada, there was three times as much by companies in the UK compared to those in Japan. Considering the relative size of the Japanese economy, and the fact that Japan ranks second only to the United States in terms of two-way commodity trade with Canada (at almost \$6.5 billion more than Canada-UK trade in 2001), these figures seem out of proportion.

Foreign Direct Investment (Canada and Japan)


\$Millions	Japanese FDI in Canada	Canadian FDI in Japan
1992	5,962	2,521
1993	6,249	2,845
1994	6,587	3,485
1995	6,987	2,739
1996	7,873	2,676
1997	7,990	2,985
1998	8,393	3,268
1999	8,206	3,948
2000	7,897	5,596
2001 (p)	8,285	6,435


Japan lags behind other nations in terms of foreign direct investment, and Canadian FDI in Japan is no exception

Source: Statistics Canada, *Canada's International Investment Position, 2001*
cat. 67-202-XPB

However, Canada is not the only country for which this is the case. Japan's stock of foreign direct investment (FDI) lags well behind that of other developed countries. FDI has historically been a low priority for the Japanese, but more recently they have taken steps to change this, particularly in light of the current economic challenges facing Japan. As Japan reduces the regulatory burden for foreign investors and implements other measures to make it a more attractive place for investment, there will be more opportunities for Canadian investors.

Japan has historically been a key trade partner for BC, giving the province a more diversified export market than other provinces and helping mitigate against downturns in the American economy. However, this relationship also means that BC is more vulnerable than the rest of Canada when Japan is in an economic slump. If Japan can get its finances in order, it may very well help kick-start British Columbia's economic recovery.

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BC at a glance . . .

POPULATION (thousands)		% change on one year ago
	Apr 1/02	
BC	4,118.1	0.9
Canada	31,260.4	0.9
GDP and INCOME		% change on one year ago
(BC - at market prices)	2001	
Gross Domestic Product (GDP) (\$ millions)	130,396	2.2
GDP (\$ 1997 millions)	125,534	0.9
GDP (\$ 1997 per Capita)	30,648	-0.1
Personal Disposable Income (\$ 1997 per Capita)	19,177	0.8
TRADE (\$ millions)		% change on one year ago
Manufacturing Shipments (seas. adj.) May	2,916	-1.7
Merchandise Exports (raw) May	2,614	-1.8
Retail Sales (seasonally adjusted) May	3,359	6.3
CONSUMER PRICE INDEX		% change on one year ago
(all items - 1992=100)	Jun '02	
BC	118.2	1.6
Canada	119.0	1.3
LABOUR FORCE (thousands)		% change on one year ago
(seasonally adjusted)	Jul '02	
Labour Force - BC	2,162	2.7
Employed - BC	1,985	1.8
Unemployed - BC	178	14.7
	Jul '01	
Unemployment Rate - BC (percent)	8.2	7.4
Unemployment Rate - Canada (percent)	7.6	7.1
INTEREST RATES (percent)		
	Aug 14/02	Aug 15/01
Prime Business Rate	4.50	6.00
Conventional Mortgages - 1 year	5.35	6.20
- 5 year	6.80	7.75
US/CANADA EXCHANGE RATE		
	Aug 14/02	Aug 15/01
(avg. noon spot rate) Cdn \$	1.5649	1.5290
US \$ (reciprocal of the closing rate)	0.6396	0.6548
AVERAGE WEEKLY WAGE RATE		% change on one year ago
(industrial aggregate - dollars)	Jul '02	
BC	663.53	3.9
Canada	648.92	2.8
SOURCES:		
Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada		
Interest Rates, Exchange Rates - Bank of Canada Weekly Financial Statistics		
For latest Weekly Financial Statistics see www.bankofcanada.ca		

On our Web Site!

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... providing comparisons across regions of the province on indicators of human economic hardship, crime, health problems, education concerns, and for two target groups - children at risk and youth at risk. The indices have been designed to aid analysts in their knowledge and understanding of regional conditions. Regional Districts and Local Health Areas are compared on maps and graphs, with supporting and supplementary data in table format.

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- Labour Force Statistics, July 2002
- Earnings & Employment Trends, July 2002

Next week

- Consumer Price Index, July 2002
- Exports, June 2002